

# Investment Section



## Report On Investment Activity

### Prepared by the Washington State Investment Board

#### Overview

The Washington State Investment Board (WSIB) manages retirement fund assets to maximize return at a prudent level of risk (chapter 43.33A.110 RCW). Investment decisions are made within the framework of a Strategic Asset Allocation Policy, and a series of written WSIB-adopted investment policies for the various asset classes in which WSIB invests.

The Retirement Funds, collectively called the Commingled Trust Fund (CTF), decreased in value by almost \$200 million during fiscal 2003 to \$38.77 billion. The CTF return was 4.15 percent for the fiscal year.

#### Performance

The chart below shows the returns for the CTF on a total fund basis, as well as by asset class. Appropriate benchmark returns are provided for comparison purposes.

Periods Ending 6/30/2003

	1 Year	3 Year	5 Year
<b>TOTAL FUND</b>	<b>4.15%</b>	<b>-2.85%</b>	<b>3.17%</b>
<i>MAP Benchmark</i>	3.67	-5.24	1.16
<b>U.S. Equity</b>	<b>1.18%</b>	<b>-10.40%</b>	<b>-0.94%</b>
<i>Wilshire 5000</i>	1.29	-10.57	-1.30
<b>Non-U.S. Equity</b>	<b>-4.56%</b>	<b>-11.51%</b>	<b>-1.33%</b>
<i>MSCI ACWI Free ex-U.S</i>	-4.19	-12.48	-2.81
<b>Fixed Income</b>	<b>13.53%</b>	<b>10.79%</b>	<b>7.85%</b>
<i>Lehman Universal</i>	11.51	9.99	7.43
<b>Cash</b>	<b>1.48%</b>	<b>1.84%</b>	<b>3.37%</b>
<i>90 Day T-Bills</i>	1.53	3.34	4.02
<b>Private Equity</b>	<b>-3.39%</b>	<b>-7.91%</b>	<b>2.75%</b>
<i>S&amp;P 500 + 400 bp</i>	4.26	-7.20	2.39
<b>Real Estate</b>	<b>11.33%</b>	<b>11.48%</b>	<b>10.89%</b>
<i>NCREIF + 100 bp</i>	8.64	9.21	10.79

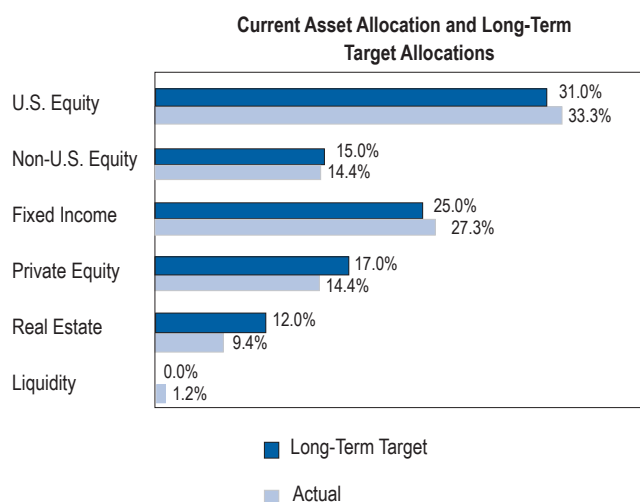
Performance information is compiled by the custodian, State Street Bank and Trust. Performance numbers are reported net of management fees, and are prepared using a time-weighted rate of return based on the current market value using the Association for Investment Management and Research (AIMR) Standards.

#### Asset Allocation

Investment performance is a result of two primary factors: individual asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate). Studies suggest that more than 90 percent of investment performance can be explained by asset allocation decision.

Accordingly, the WSIB sets a specific long-term target asset mix and adopts tight ranges around those targets to control the overall risk and return of the CTF. On a daily basis, the WSIB reviews the asset allocation in relation to the established ranges. The staff shifts assets whenever the allocation range for an asset exceeds the approved range or when cash is needed elsewhere. The WSIB reviews changes to the overall asset mix every three to four years.

The chart below shows the CTF's asset allocation as of June 30, 2003, as well as the long-term target allocations.



## U.S. Equity

The U.S. Equity portfolio is structured to capture the returns of the broad U.S. equity market as measured by the Wilshire 5000 Index. The index is comprised of all U.S. domiciled common equities for which pricing information is readily available, and currently represents more than 5,400 companies. The portfolio is managed externally using a passive management strategy, that closely tracks the index.

**Retirement Fund's Ten Largest U.S. Equity Holdings as of 6/30/2003**

General Electric Corp.	2.51%	Citigroup Inc.	1.93%
Microsoft Corp.	2.41%	Johnson & Johnson	1.35%
Pfizer Inc.	2.36%	American Int'l Group	1.26%
Exxon Mobil Corp.	2.10%	Int'l Business Machines	1.25%
Wal-Mart Stores Inc.	2.06%	Merck & Company Inc.	1.19%

## Non-U.S. Equity

About 87 percent of the non-U.S. equity portfolio is invested in the developed markets with the remaining portion invested in the emerging markets. Portfolios are managed by external managers employing a combination of both active and passive management strategies.

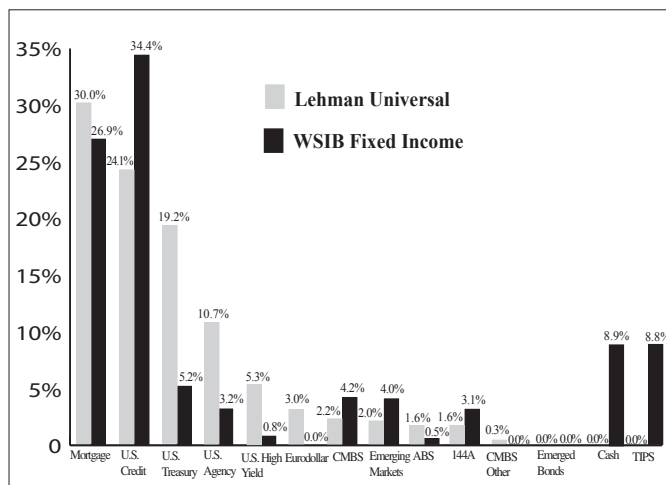
**Retirement Fund's Ten Largest Exposures by Country as of 6/30/2003**

	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	21.6%	23.3%	Australia	5.1%	4.4%
Japan	14.3%	17.5%	Netherlands	4.4%	4.4%
France	7.9%	8.4%	Canada	4.2%	5.5%
Switzerland	6.7%	6.5%	Spain	4.1%	3.3%
Germany	5.3%	5.5%	Italy	3.0%	3.3%
<i>The ten largest country exposures comprise 76.6 percent of the portfolio versus the index at 82.1 percent.</i>					

## Fixed Income

The Fixed Income portfolio is internally managed by WSIB staff with the Lehman Universal Index as the performance benchmark. The management strategy is primarily one of sector selection. The portfolio is structured to be over- or under-weighted relative to the index's sectors: primarily treasuries, agencies, credit, mortgage backed securities and asset backed securities. The duration of the portfolio is 4 percent shorter than that of the Lehman Universal Index.

**Retirement Fund's Fixed Income Sector Distribution as of 6/30/2003**



## Private Equity

The private equity portfolio, originated in 1981, is primarily invested in partnerships that acquire or create ongoing businesses or operating companies. The WSIB has investments in all stages of the business life cycle, from private start-up technology companies to large multinational public concerns. These are long-term investments, typically 10 to 12 years in life. They are expected to generate investment return well in excess of public equity securities. Approximately 13 percent of this portfolio is invested in international private equity, primarily in Europe.

## Real Estate

The Real Estate portfolio is invested in a diversified group of properties including office buildings, retail facilities, apartments, warehouses and specialty properties. The majority of these investments have been made in partnerships with operating management groups. The WSIB invests in real estate both in the United States and internationally.

## Portfolio Holdings

A complete list of portfolio holdings is available by contacting:

Washington State Investment Board  
 2100 Evergreen Park Drive SW  
 P.O. Box 40916  
 Olympia WA 98504-0916  
 (360) 956-4600

## Summary of Investment Policies

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk (RCW 43.33A.110).

### Retirement Fund Asset Allocation

WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

Retirement funds are invested in the Commingled Trust Funds (CTF). The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three or four years. WSIB reviews the asset allocation in relation to the established ranges on a monthly basis.

### Public Market Equity

The Public Markets equity program seeks to:

- Achieve the highest return possible consistent with the desire to control asset volatility;
- Ensure protection for long-term liabilities, since shorter term liabilities are more suitably protected by lower volatility instruments such as fixed income securities; and
- Provide diversification to the WSIB's overall investment program.

The public markets equity portion of the retirement fund includes strategies in the U.S., developed international, and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely

(100 percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, such as the Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market; therefore, more active management will be included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program will be similar to the weightings of the MSCI All Country World Free ex. U.S., which serves as the benchmark for the WSIB's entire non-U.S. program.

### Fixed Income

The WSIB's fixed income investments are to be actively managed to exceed the return of the Lehman Universe Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3% of cost at the time of purchase or 6% of market value thereafter of the fund, and no high yield issues shall exceed 1% of cost or 2% of market value of the fund.

Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage-backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages, and Washington State Housing Finance Commission taxable municipal bonds up to a total of \$25 million with a maximum of \$10 million per year. Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

### Private Equity Investing

The WSIB can invest in any appropriate private equity investment opportunity which has the potential for returns su-

perior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. As previously indicated, these investment types are divided into venture capital investments, corporate finance (including leveraged, management and employee buyouts), distressed, international, and mezzanine investments. Private equity investments are made through limited partnership vehicles.

To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

#### **Real Estate Program**

The WSIB's real estate program is an externally managed pool of select partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate

portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

Volatility within the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own commercial real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including international markets, and in various property types. Fourth, WSIB partners invest at different points within the asset's capital structure and life cycle.

The WSIB's current return objective for real estate calls for a target benchmark of one to three percent above the NCREIF index.

### Schedule of Investment Management Fees and Commissions For the Year Ended June 30, 2003

	Assets Under Management*	Total Fees and Commissions Expenses at 6/30/03
<b>Public Equity Securities:</b>		
Passive Equity Managers	\$ 12,892,065,269	\$ 449,988
International Active Equity Managers	1,872,270,485	4,645,932
International Passive Equity Managers	3,144,257,151	-
Equity Commissions Paid	2,360,652,741	4,802,321
<b>Fixed Income Securities:</b>		
Commercial Mortgages	-	-
<b>Alternative Investments:</b>		
Private Equity	5,569,727,086	19,320,187
Real Estate	3,625,738,177	-
<b>Other Fees:</b>		
Consultants and Advisors	-	2,143,450
Custodians	-	1,178,939
Legal Fees	-	179,546
Securities Lending Fees	-	5,923,407
Securities Lending Broker Rebates Paid	-	42,353,077
PERS Plan 3 Management Fees	444,994,432	167,023
SERS Plan 3 Management Fees	528,456,106	237,978
TRS Plan 3 Management Fees	1,829,710,763	1,239,318
Deferred Compensation Management Fees	1,461,482,248	1,739,848
WSIB Operating Costs	-	5,720,858
OST Operating Costs	-	52,063
<b>Total</b>	<b>\$ 33,729,354,458</b>	<b>\$ 90,153,935</b>

\* This schedule excludes those assets managed by the Washington State Investment Board.

### Broker Equity Volume and Equity Commissions Paid For the Year Ended June 30, 2003 (page 1 of 5)

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
ABD SECURITIES	\$ 2,152,253	47,828	\$ 6,185	\$ 0.13	\$ -	\$ -
ABG	3,209,400	528,616	8,034	0.02	-	-
ABN AMRO BANK NV	4,638,790	1,473,062	10,281	0.01	-	-
ABN AMRO E	430,558	42,593	1,010	0.02	104,737,749	-
ABN AMRO SECURITIES	41,622,933	3,091,554	81,477	0.03	22,942,555	-
AKROS SECURITIES	914,101	51,571	2,291	0.02	-	-
ALPHA MANAGEMENT INC	187,154	4,589	229	0.05	-	-
AMADON CORPORATION	1,352,424	58,254	3,382	0.06	-	-
ANDERSON & STRUDWICK, IND.	1,955,902	103,640	2,219	0.02	-	-
ANZ	-	-	-	-	7,231,892	-
AUERBACH GRAYSON	1,171,495	101,664	2,711	0.03	-	-
B-TRADE SERVICES LLC	3,247,582	196,508	7,074	0.04	-	-
BANC OF AM SEC LLC	1,506,423	99,451	3,118	0.03	-	-
BANCO ATLANTICO S.A.	7,537	798	19	0.02	-	-
BANCO BILBAO VISCAYA	9,246,288	470,422	18,484	0.04	-	-
BANCO SANTANDER DE NEGOCIOS	4,744,143	879,917	12,752	0.01	-	-
BANK AM BELLEVUE ZURICH	337,788	8,928	708	0.08	-	-
BANK J.VONTOBEL	7,586,427	354,811	22,730	0.06	-	-
BANK JULIUS	5,253,435	1,080,051	10,581	0.01	-	-
BANK OF AMERICA	3,236,417	574,090	5,904	0.01	252,652,388	-
BANK OF NY SECURITIES INC	148,290	11,072	375	0.03	-	-
BANK ONE CAPITAL	-	-	-	-	65,835,157	-
BANK VONTOBEL	7,937,206	194,413	23,827	0.12	-	-
BANQUE NATIONAL DE PARIS	8,348,669	953,551	15,047	0.02	-	-
BANQUE PARIBAS	334,458	22,344	834	0.04	-	-
BARCLAYS AMERICAN CORP	-	-	-	-	209,475,498	-
BARCLAYS BANK	-	-	-	-	781,642,859	-
BARING SECURITIES	17,869,452	491,098	26,476	0.05	-	-
BBVA SECURITIES	1,061,826	138,054	2,648	0.02	-	-
BEAR, STEARNS & CO.	61,704,700	6,768,908	139,149	0.02	726,296,492	-
BERNSTEIN SANFORD	2,999,994	305,011	6,724	0.02	-	-
BESTINVER S.A. S.V.B.	823,747	66,434	2,198	0.03	-	-
BHF SECURITIES	18,259,496	2,191,671	35,623	0.02	-	-
BLOOMBERG TRADEBOOK	6,426,731	772,525	6,421	0.01	-	-
BNP PARIBA	3,054,721	934,303,715	9,717	0.07	29,925,071	-
BNP SECURITIES	5,565,323	649,274	15,281	0.02	-	-
BROADCORT CAPITAL	44,259	1,696	85	0.05	-	-
BROCKHOUSE & COOPER	11,295,691	1,151,087	25,733	0.02	-	-
BROWN (ALEX) & SONS INC.	4,304,658	151,022	6,879	0.05	-	-
BROWN BROS. HARRIMAN	281,830	6,185	309	0.05	-	-
BSN SCIEDAD DEVALORES	3,995,014	451,161	9,963	0.02	-	-
BUNTING WARBURG INC	5,044,018	170,963	6,024	0.04	-	-
BUNTING WARVURGER SEC	2,854,434	192,119	7,982	0.04	-	-
BURNS FRY & TIMMINS	1,101,415	54,164	2,167	0.04	-	-
C.S.F.B.	1,456,209	418,973	3,349	0.01	-	-
CABOTO	743,868	318,004	1,859	0.01	-	-
CAIB SECURITIES	459,865	225,254,988	2,320	0.00	-	-
CANADIAN I	3,247,439	157,070	6,121	0.04	-	-
CANTOR FITZGERALD	18,578,843	545,335	2,119	0.00	-	-
CARNEGIE	5,378,748	273,874	13,204	0.05	-	-
CASTOCK CORPORATION	226,331	6,883	230	0.03	-	-
CAZENOVE & CO.	36,078,509	8,256,493	78,558	0.01	-	-
CDC SECURITIES	388,930	9,623	804	0.08	-	-



**Broker Equity Volume and Equity Commissions Paid  
For the Year Ended June 30, 2002 (page 2 of 5)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
CHASE MANHATTAN BANK	\$ 7,838,829	2,347,497	\$ 15,886	\$ 0.01	\$ -	\$ -
CHEVREUX DE VIRIEU	17,313,946	1,555,816	40,341	0.03	-	-
CIBC WORL MARKETS CORP	2,328,065	133,189	4,217	0.03	-	-
CIBC/WOOD GUNDY	1,142,165	27,930	1,397	0.05	-	-
CISCO OF AMERICA INC	455,281	13,267	624	0.05	-	-
CITATION GROUP	1,955,749	106,932	4,084	0.04	-	-
CITIBANK	84,293	10,075	134	0.01	-	-
CITIGROUP	2,109,168	247,727	5,280	0.02	34,912,583	-
COLLINS STEWART	588,892	55,461	1,180	0.02	-	-
COMMERZBANK AG	10,639,420	613,013	24,246	0.04	-	-
CREDIT AGR	119,904	19,770	299	0.02	-	-
CREDIT LYONNAIS	10,100,900	876,159	27,044	0.03	-	-
CREDIT SUISSE	3,361,554	540,933	7,433	0.01	-	-
CREDIT SUISSE FIRST BOSTON LTD	68,666,522	9,364,968	137,160	0.01	174,562,915	-
DAIWA BANK LTD	484,947	12,968	968	0.07	-	-
DAIWA SEC. AMERICA	15,375,763	649,690	27,725	0.04	-	-
DAVY STOCKBROKERS	224,464	17,357	544	0.03	-	-
DEUTSCHE BANK	6,805,533	1,690,236	14,130	0.01	495,309,803	-
DEUTSCHE BANK AG/LONDON	12,879,587	3,839,187	38,180	0.01	-	-
DEUTSCHE BANK CAPITAL	61,435	33,217	123	0.00	-	-
DEUTSCHE BANK GOVT SEC INC	38,717,059	7,406,385	84,022	0.01	-	-
DEUTSCHE BANK SECS	80,908,634	8,605,740	153,881	0.02	-	-
DEUTSCHE MORGAN GREINFELL	3,037,723	1,011,336	8,818	0.01	-	-
DEUTSCHE SECS	1,217,010	285,255	2,286	0.01	-	-
DRESDNER BANK	581,828	4,190	1,740	0.42	-	-
DRESDNER K	7,281,285	603,933	19,112	0.03	-	-
DRESDNER SEC (USA) INC	2,111,443	92,121	6,122	0.07	-	-
ECONO TRADING	1,406,940	37,706	1,885	0.05	-	-
ENSKILDA SECURITIES	2,056,321	104,818	4,812	0.05	-	-
EUROMOBILIARE	8,536,167	2,463,631	21,359	0.01	-	-
EXANE	8,784,188	404,188	22,200	0.05	-	-
EXECUTION SERVICES INC	11,972,365	1,202,389	25,214	0.02	-	-
FHLMC	-	-	-	-	96,043,375	-
FIRST BOSTON CORPORATION	80,199,235	9,758,679	164,262	0.02	-	-
FIRST MARATHON SEC., LTD	1,178,985	48,778	2,147	0.04	-	-
FIRST PACIFIC	1,798,057	378,053	6,294	0.02	-	-
FIRST TENN BANK, NA	-	-	-	-	17,955,043	-
FORTIS BAN	12,302,278	711,841	28,714	0.04	-	-
FORTIS SEC	680,809	37,717	1,706	0.05	-	-
FOX PITT KELTON INC	26,197,685	3,416,721	62,190	0.02	-	-
FRANK RUSSELL	44,732,141	5,877,160	91,954	0.02	-	-
FUJI SECURITIES	82,043	109,032	7,498	0.07	-	-
G-TRADE SE	1,022,933	147,431	1,835	0.01	-	-
GBM INTERNATIONAL INC. TEXAS	648,673	321,994	1,952	0.01	-	-
GENERATED PAYDOWN	-	-	-	-	429,125,520	-
GOLDMAN, SACHS & CO.	196,477,287	20,397,940	392,859	0.02	2,616,823,246	-
GOODBODY STOCKBROKERS	1,001,900	81,510	1,864	0.02	-	-
GRIFFITHS MCBURNEY	3,241,023	140,149	5,096	0.04	-	-
HSBC INVESTMENT BANK PLC	26,094,506	4,637,206	71,304	0.02	-	-
HSBC SECURITIES INC	36,322,323	5,687,826	83,264	0.01	87,780,209	-
HYPO VEREI	32,936	1,995	82	0.04	-	-
ING BANK BRAZIL	140,273	10,973	350	0.03	-	-

**Broker Equity Volume and Equity Commissions Paid  
For the Year Ended June 30, 2002 (page 3 of 5)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
ING BARING	\$ 3,783,395	981,782	\$ 10,507	\$ 0.01	\$ -	\$ -
ING SECURITIES	1,353,494	68,828	2,777	0.04	-	-
INSTINET	17,428,848	6,481,006	36,771	0.01	-	-
INTERMOBILIARE SEC	5,483,600	1,149,910	14,580	0.01	-	-
INTERMONTE	17,577,387	3,908,339	36,279	0.01	-	-
INVESTMENT TECHNOLOGY CORP	4,368,044	852,944	5,330	0.01	-	-
ITG - POSIT	680,805	94,264	687	0.01	-	-
ITG INC	2,366,162	490,073	2,363	0.00	-	-
ITGL	334,710	42,494	5,749	0.14	-	-
J CHEUVREAU	537,318	32,818	1,260	0.04	-	-
J P MORGAN & CO	69,213,082	4,447,441	142,345	0.03	1,280,921,666	-
J&E DAVY	2,014,661	159,829	3,858	0.02	-	-
J.B. WERE & SON	19,058,972	4,279,161	60,488	0.01	-	-
J.P. MORGAN SECURITIES INC	34,033,632	4,047,591	74,098	0.02	-	-
JAMES CAPE	13,412,091	1,554,500	25,299	0.02	-	-
JEFFERIES & CO	1,243,280	71,750	1,848	0.03	-	-
JP MORGAN STERLING SECS	3,023,102	412,006	3,722	0.01	-	-
JULIUS BAER	8,252,373	1,723,205	20,658	0.01	-	-
KAY HIAN + CO	51,154	50,673	154	0.00	-	-
KBC FINANCE	1,340,883	320,198	2,014	0.01	-	-
KLEINWORTH BENSON INC	11,164,748	1,383,680	25,574	0.02	-	-
KNIGHT SEC	9,139,825	1,223,079	2,034	0.00	-	-
LATINVEST	4,130,096	520,197	9,912	0.02	-	-
LEGG MASON	1,659,441	65,636	2,816	0.04	-	-
LEHMAN BROTHERS INC	96,913,137	12,888,494	199,386	0.02	989,087,433	-
LG SECURITIES	294,717	2,394	1,028	0.43	-	-
LOMBARD ODIER + CIE	1,775,686	35,611	3,544	0.10	-	-
MACQUARIE EQUITIES	8,956,650	1,533,773	26,698	0.02	-	-
MALONEY & CO	3,787,529	430,722	14,079	0.03	-	-
MEESPIERSON	222,228	14,564	557	0.04	-	-
MERRIL-PERFORMANCE MEASURE	43,199,720	3,922,900	87,121	0.02	-	-
MERRILL LYNCH INTERNATIONAL	38,473,626	4,769,768	63,524	0.01	-	-
MERRILL LYNCH, P F & S	147,838,673	14,062,801	317,352	0.02	374,556,626	-
MIZUHO	2,326,133	218,952	2,855	0.01	-	-
MONTGOMERY SECURITIES	4,692,663	265,036	8,002	0.03	-	-
MORGAN GRENFELL LTD	1,829,600	202,393	5,481	0.03	-	-
MORGAN J P & CO	191,527	8,579	417	0.05	-	-
MORGAN STANLEY & CO.	176,593,157	22,401,750	348,325	0.02	1,471,156,155	-
NATIONAL BANK OF CANADA	1,085,450	47,880	1,460	0.03	-	-
NCB STOCKBROKERS	10,817,869	1,025,339	21,097	0.02	-	-
NESBITT BURNS	1,902,318	67,232	2,312	0.03	-	-
NESBITT THOMSON SEC	643,164	38,304	1,506	0.04	-	-
NEW ZURICH	4,705,631	71,754	12,724	0.18	-	-
NOMURA AGENCY PLC	409,254	12,968	820	0.06	-	-
NOMURA SECURITIES INTL	27,133,116	943,219	26,970	0.03	-	-
NORDEA	277,674	81,995	696	0.01	-	-
ODDO FINANCE	10,956,989	610,183	23,946	0.04	-	-
ODDO SECURITIES	36,158	2,893	90	0.03	-	-
OPPENHEIMER & CO.	2,876,025	70,922	3,364	0.05	-	-
PAINWEBBER J&C	188,541	4,888	244	0.05	-	-
PARIBAS CO	3,346,054	448,188	8,823	0.02	-	-
PAYUP	-	-	-	-	290,525	-

**Broker Equity Volume and Equity Commissions Paid  
For the Year Ended June 30, 2002 (page 4 of 5)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
PEEL HUNT & CO LTD	\$ 605,310	74,613	\$ 1,202	\$0.02	\$ -	\$ -
PENSION	788,396	5,786	90	0.02	-	-
PENSION FINANCIAL SERVICES INC	126,710	998	50	0.05	-	-
PEREIRE TOD LTD	822,949	16,559	1,700	0.10	-	-
PERSHING	12,984,734	847,313	19,448	0.02	-	-
PICTET & CO	3,792,031	114,254	7,752	0.07	-	-
PRUDENTIAL SECURITIES INC	244,172	6,683	334	0.05	-	-
RABO SECURITIES NV	3,585,656	209,176	7,933	0.04	-	-
RBC DOMINION SECURITIES	11,619,529	490,328	10,617	0.02	-	-
RBC-DOMINION	1,719,053	57,282	2,558	0.04	-	-
SALOMON BROTHERS	117,810,190	15,759,671	223,692	0.01	261,889,810	-
SALOMON, SMITH BARNEY	10,712,217	1,030,104	13,612	0.01	970,573,739	-
SAMSUNG SECURITIES CO LTD	2,197,118	9,386	7,023	0.75	-	-
SANFORD BERNSTEIN	4,589,195	330,074	11,398	0.03	-	-
SANTANDER INVESTMENT SEC'S.	1,810,917	133,366	4,522	0.03	24,937,559	-
SBC WARBURG	28,414	7,781	56	0.01	-	-
SCOTIA CAPITAL MARKET	73,326	6,883	245	0.04	-	-
SCOTIA MCLEOD	131,792	9,377	328	0.03	-	-
SG COWEN SECURITIES CORP	1,561,402	197,446	4,330	0.02	-	-
SG SECURITIES	5,769,323	3,405,735	14,893	0.00	-	-
SG WARBURG	11,255	1,197	22	0.02	-	-
SOCIETE GENERAL	14,259,714	1,313,154	35,010	0.03	-	-
SOUNDVIEW	95,207	1,596	80	0.05	-	-
SOUTHCOAST CAPITAL CORP	1,527,932	69,526	3,016	0.04	-	-
SPEAR LEEDS & KELLOGG	807,511	21,945	1,097	0.05	-	-
SSANGYONG INVESTMENTS	2,987,867	24,209	10,466	0.43	-	-
SSGA INTERNAL CONTRIBUTION	15,444,613	593,101	9,596	0.02	-	-
STATE ST BK & TRUST	-	-	-	-	-	1,037,239,627
SVENSKA HANDELSBANKEN	3,691,562	346,911	7,759	0.02	-	-
SWISS BANK	25,648,531	1,519,731	49,590	0.03	-	-
THAMESWAY SECS	1,039,801	295,598	2,065	0.01	-	-
TIR SECURITIES	3,457,510	237,206	10,447	0.04	-	-
TOKAI BK	793,135	29,127	1,189	0.04	-	-
TOKYO MITSUBISHI INTL.	3,252,241	85,786	4,878	0.06	-	-
TORONTO DOMINION SEC INC	135,465	14,065	480	0.03	-	-
U.S. BANK	-	-	-	-	1,235,790	-
UBS SECURITIES	103,832,354	12,284,670	189,693	0.02	90,361,256	-
UBS WARBURG	5,537,777	441,537	6,751	0.02	524,419,665	-
UBS-DB CORPORATION	8,657,159	755,604	21,250	0.03	-	-
UNIBANK	347,621	112,917	871	0.01	-	-
UOB SECURITIES PTE LTD	610,262	203,590	1,826	0.01	-	-
UOB KAY HIAN PTE LTD	2,217,150	3,059,837	6,654	0.00	-	-
USCC/SANTANDER	3,036,997	126,882	5,492	0.04	-	-
VONTOBEL	549,343	998	715	0.72	-	-
WAGNER STOTT & CO.	6,955,876	403,988	14,212	0.04	-	-
WARBURG DILLON READ LLC	48,817,764	10,725,733	96,814	0.01	-	-
WARBURG S.G.	2,821,520	230,671	5,798	0.03	-	-
WARBURG SECURITIES	894,907	62,070	1,927	0.03	-	-
WEEDEN & COMPANY	78,902	2,394	120	0.03	-	-
WEISS	2,326,660	95,860	4,029	0.04	-	-
WEST DEUTSCHE LANDESBANK	4,818,830	166,603	10,458	0.06	-	-

**Broker Equity Volume and Equity Commissions Paid  
For the Year Ended June 30, 2002 (page 5 of 5)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
WEST LB PAMURE LTD	\$ 2,212,003	170,049	\$ 4,995	\$ 0.03	\$ -	\$ -
WEST LB SECURITIES	4,340,562	311,700	10,453	0.03	-	-
WILLIAMS CAP GROWTH	233,859	11,172	559	0.05	-	-
YAMATANE	843,709	23,761	1,264	0.05	-	-
ZURICH SECURITIES	154,125	3,960	386	0.10	-	-
<b>Total</b>	<b>\$2,360,652,741</b>	<b>1,444,603,015</b>	<b>\$4,802,321</b>	<b>\$ 0.00</b>	<b>\$12,142,682,579</b>	<b>\$1,037,239,627</b>

Source: Washington State Investment Board

## Summary of Investments Owned on June 30, 2003

### Pension Trust Funds (page 1 of 6)

Description	Total Market Value	Percent of Total Market Value
<b>INVESTMENTS</b>		
<b>Currencies</b>		
E.M.U.-Euro	\$ 2,560,017	0.01%
Japan-Yen	1,382,482	--
Australia-Dollar	621,343	--
Britain-Pound	597,526	--
Canada-Dollar	560,402	--
Switzerland-Franc	158,113	--
Denmark-Krone	50,672	--
Hong-Kong-Dollar	25,044	--
Singapore-Dollar	16,959	--
United States-Dollar	11,645	--
Others	11,329	--
<b>Total Currencies</b>	<b>5,995,532</b>	<b>0.01%</b>
<b>Money Market Funds</b>		
State Street Bank & Trust Co.	1,438,040,515	3.36%
Others	41,475,090	0.10%
<b>Total Money Market Funds</b>	<b>1,479,515,605</b>	<b>3.45%</b>
<b>Government Securities-Domestic</b>		
Treasury Inflation IX N/B	247,737,770	0.58%
Treasury Inflation IX N/B	223,929,424	0.52%
Treasury Inflation IX N/B	141,345,442	0.33%
Treasury Inflation IX N/B	137,877,934	0.32%
U.S. Treasury Bond	115,396,060	0.27%
U.S. Treasury Note	114,371,624	0.27%
Treasury Inflation IX N/B	106,458,390	0.25%
U.S. Treasury Note	101,091,879	0.24%
U.S. Treasury Note	94,648,213	0.22%
Others	47,823,406	0.11%
<b>Total Government Securities-Domestic</b>	<b>1,330,680,142</b>	<b>3.11%</b>
<b>Government Securities-Foreign</b>		
Federal Republic of Brazil	51,870,124	0.12%
Mexican United States	34,974,927	0.08%
Republic of Italy	32,189,972	0.08%
Republic of Korea	32,088,473	0.07%
Federal Republic of Brazil	20,648,299	0.05%
Republic of Argentina	17,541,025	0.04%
Republic of Argentina	8,977,521	0.02%
<b>Total Government Securities-Foreign</b>	<b>198,290,341</b>	<b>0.46%</b>

**Summary of Investments Owned on June 30, 2003**  
**Pension Trust Funds (page 2 of 6)**

Description	Total Market Value	Percent of Total Market Value
<b>Pass Through Mortgages</b>		
FHLM FGE 01343	\$ 75,072,425	0.18%
FNMA FN704519	62,115,772	0.15%
FGE 96536	51,369,701	0.12%
FHLMC FGE 01322	49,817,884	0.12%
FNMA FN677298	48,723,549	0.11%
FNCI 254590	47,950,828	0.11%
FGE 01281	47,944,680	0.11%
FGE 93919	47,806,508	0.11%
FGE 93579	46,337,487	0.11%
FNMA FN681335	46,148,828	0.11%
Others	801,586,202	1.87%
<b>Total Pass Through Mortgages</b>	<b>1,324,873,864</b>	<b>3.09%</b>
<b>FHA Project/SBA Loans</b>		
Beverly Finance Corp. 144A	10,708,426	0.02%
FHA PRJ-Reilly Mortgage Group #55	6,971,434	0.02%
GNMA 383716 Lowell Emerson Apt.	4,339,497	0.01%
Madison Towers	1,519,798	--
Sutter Village	750,349	--
Auburn Villa	693,469	--
Burien Haus	437,240	--
Terrace Manor	32,321	--
<b>Total FHA Project/SBA Loans</b>	<b>25,452,534</b>	<b>0.06%</b>
<b>FHA/VA Residential</b>		
GNMA Pool 458902	1,932,590	--
GNMA Pool 463999	1,441,670	--
GNMA Pool 480120	1,273,767	--
GNMA Pool 404208	1,114,846	--
GNMA Pool 471882	1,083,217	--
GNMA Pool 471803	1,040,506	--
GNMA Pool 458909	962,461	--
GNMA Pool 471774	893,525	--
GNMA Pool 471729	868,979	--
Executive House	1,624	--
<b>Total FHA/VA Residential</b>	<b>10,613,185</b>	<b>0.02%</b>

## Summary of Investments Owned on June 30, 2003

### Pension Trust Funds (page 3 of 6)

Description	Total Market Value	Percent of Total Market Value
<b>Conventional Residential Mortgages</b>		
FNMA Pool 252162	\$ 10,720,211	0.03%
FNMA	7,085,187	0.02%
FNMA Pool 455600	6,027,589	0.01%
FNMA Pool 568468	5,075,623	0.03%
FNMA	3,967,456	0.01%
FNMA	2,654,653	0.01%
FHLMC Gold 1998 PL C00650	1,994,066	--
FNMA Pool #571021	1,970,773	--
FNMA FN568471	1,678,024	--
FNMA Pool 455819	1,177,353	0.01%
Others	2,311,091	--
<b>Total Conventional Residential Mortgages</b>	<b>44,662,026</b>	<b>0.10%</b>
<b>Collateralized Mortgage Obligations</b>		
GECMS 99-15 L (A25)	50,535,804	0.12%
FHLMC 1671 G	41,946,694	0.10%
FNR 2002-67 AN	31,062,185	0.07%
FNMA 1996-1 A	30,855,166	0.07%
NSCOR 1998-33 A5	30,586,017	0.07%
FHR 2510 AJ	30,304,581	0.07%
FHR 2419 DE	30,256,046	0.07%
FNR 1999-19 VB	30,255,662	0.07%
CCMSC 1999-2 A2	29,844,373	0.07%
FUNBC 2001-C2 A2	29,290,261	0.07%
Others	1,308,785,011	3.06%
<b>Total Collateralized Mortgage Obligations</b>	<b>1,643,721,800</b>	<b>3.84%</b>
<b>Asset Backed Securities</b>		
FUNBC 2001-C3 A3	21,310,613	0.05%
NBCMT 1993-2 A	17,382,106	0.04%
Standard Credit Card 1995-9A ABS	16,546,673	0.04%
Standard Credit Card Master Trust	13,661,322	0.03%
Others	111,386,471	0.26%
<b>Total Asset Backed Securities</b>	<b>180,287,185</b>	<b>0.42%</b>
<b>Corporate Bonds-Domestic</b>		
U.S. Bank NA	57,713,000	0.13%
Version NJ	52,512,352	0.12%
Vale Overseas	49,831,532	0.12%
American Honda Finance	48,467,464	0.11%
BNI	46,904,103	0.11%
Midamerican Funding	45,594,982	0.11%
HSBC Americas INC	45,085,145	0.11%
International Bank of Reconstruction and Development	42,844,179	0.10%
Chevron Texaco Cap. Co.	41,479,758	0.10%
Norfolk Southern Corp.	41,448,793	0.10%
Others	2,291,521,983	5.35%
<b>Total Corporate Bonds-Domestic</b>	<b>2,763,403,291</b>	<b>6.45%</b>

## Summary of Investments Owned on June 30, 2003

### Pension Trust Funds (page 4 of 6)

Description	Total Market Value	Percent of Total Market Value
<b>Corporate Bonds-Foreign</b>		
Petro Bras Intl. \$	59,251,641	0.14%
CIA Brasil De Bebidas	55,361,382	0.13%
Manitoba Province	53,215,018	0.12%
Export Development CDA	48,083,710	0.11%
Nordic Investment Bank	47,958,499	0.11%
Quebec Province CDA	43,224,424	0.10%
Pemex Finance Ltd. 144A	42,245,272	0.10%
European Investment Bank	42,038,737	0.10%
Royal Bank Scotland PLC	40,590,432	0.09%
Gruma SA de CV	39,701,430	0.09%
Others	841,471,197	1.96%
<b>Total Corporate Bonds-Foreign</b>	<b>1,313,141,742</b>	<b>3.07%</b>
<b>Variable Rate Notes</b>		
Variable Rate Notes	1,104,254,190	2.58%
<b>Total Variable Rate Notes</b>	<b>1,104,254,190</b>	<b>2.58%</b>
<b>Municipal Bonds</b>		
WA State Housing Finance Commission 1998 4T	3,401,289	0.01%
WA State Housing Finance Commission 1999 1T	2,243,065	0.01%
<b>Total Municipal Bonds</b>	<b>5,644,354</b>	<b>0.01%</b>
<b>Private Equity</b>		
KKR 1996 Fund	715,900,817	1.67%
Warburg Pincus Equity Partners, LP	287,942,177	0.67%
KKR 1997 Fund	275,196,576	0.64%
Joseph Littlejohn Levy Fund III	165,916,076	0.39%
Welsh Carlson Anderson Stowe IX	148,989,306	0.35%
Fortress Investment Fund LLC	148,075,114	0.35%
KKR European Fund	141,199,685	0.33%
OCM Opportunities Fund IV L.P.	118,116,993	0.28%
Welsh Carlson Anderson Stowe VIII	94,785,557	0.22%
WCAS Capital Partners III, LP	93,982,474	0.22%
Others	3,379,622,311	7.89%
<b>Total Private Equity</b>	<b>5,569,727,086</b>	<b>13.00%</b>
<b>Real Estate</b>		
Principal Enterprise Capital I	536,843,796	1.25%
Olympia Properties LLC	360,542,652	0.84%
Hawthorne Timber LLC	298,963,234	0.70%
Lonestar Fund III	289,540,433	0.68%
Pactrust Realty Associates LP	256,378,903	0.60%
Lowe Northwest Investment Properties LLC	255,903,132	0.60%
Hometown America, LLC	232,298,786	0.54%
Union Square LP	187,105,383	0.44%
European Investment Properties Limited	177,767,253	0.41%
MSREF IV International TE	162,346,321	0.38%
Others	868,048,284	2.03%
<b>Total Real Estate</b>	<b>3,625,738,177</b>	<b>8.46%</b>



**Summary of Investments Owned on June 30, 2003**  
**Pension Trust Funds (page 5 of 6)**

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
<b>Corporate Stock-Foreign</b>		
Total SA SER B ORD	\$ 62,005,331	0.14%
Glaxo Smith Kline	47,981,971	0.11%
Telefonica CA	45,845,802	0.11%
Canon Inc.	45,809,811	0.11%
Novartis AG	45,218,556	0.11%
Royal Dutch Pete Co.	38,886,376	0.09%
Nestle SA	35,853,899	0.08%
Vodafone Group	34,677,454	0.08%
HBOS	33,115,435	0.08%
UBS AG	28,186,994	0.07%
Others	1,454,688,856	3.40%
<b>Total Corporate Stock-Foreign</b>	<b>1,872,270,485</b>	<b>4.37%</b>
<b>Commingled Index Funds-Domestic</b>		
BGI US Equity Market	12,890,877,846	30.09%
Short Horizon Fund	1,187,423	--
<b>Total Commingled Index Funds-Domestic</b>	<b>12,892,065,269</b>	<b>30.10%</b>
<b>Commingled Index Funds-Foreign</b>		
MSCI EAFE SL	2,375,889,661	5.55%
Canada MSCI Index Fund	153,027,092	0.36%
Capital Guardian Growth Fund	139,980,753	0.33%
GMO TR	121,331,662	0.28%
Foreign Colonial Emerging Market Group TR	95,907,503	0.22%
Schroder Emerging	90,211,636	0.21%
Putnam International Small Cap. Trans. FD	37,880,731	0.09%
South Africa IFC	21,665,855	0.05%
Mexico Emerging Markets Index	15,677,768	0.04%
Korea Emerging Markets	14,209,484	0.03%
Others	78,475,006	0.18%
<b>Total Commingled Index Funds-Foreign</b>	<b>3,144,257,151</b>	<b>7.34%</b>
<b>Repurchase Agreements</b>		
Goldman Sachs & Co. Inc.	3,485,190	0.01%
Morgan Stanley & Company Inc.	729,848	--
Bear Stearns	611,253	--
<b>Total Repurchase Agreements</b>	<b>4,826,291</b>	<b>0.01%</b>
<b>Securities on Loan</b>		
Securities on Loan-Domestic	834,061,045	1.95%
Securities on Loan-Foreign	515,190,560	1.20%
<b>Total Securities on Loan</b>	<b>1,349,251,605</b>	<b>3.15%</b>
<b>Guaranteed Investment Contracts</b>		
Savings Pool	544,146,794	1.27%
<b>Total Guaranteed Investment Contracts</b>	<b>544,146,794</b>	<b>1.27%</b>

**Summary of Investments Owned on June 30, 2003**  
**Pension Trust Funds (page 6 of 6)**

<u>Description</u>		<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
<b>Life</b>			
G.E. Capital Assurance	\$	29,082	--
<b>Total Life</b>		29,082	--
<b>Mutual Funds</b>			
Washington State Money Market Fund		312,788,835	0.73%
Washington State Bond Fund		297,025,885	0.69%
Fidelity Equity-Income Fund		291,023,496	0.68%
U.S. Stock Market Index		289,519,170	0.68%
Fidelity Independence Fund		267,049,705	0.62%
U.S. Large Stock Index Fund		238,384,148	0.56%
Fidelity Growth Company Fund		153,974,013	0.36%
U.S. Small Stock Index Fund		144,546,477	0.34%
International Stock Index Fund		83,681,578	0.20%
Washington State Mid-Horizon Fund		58,155,761	0.14%
Others		119,210,347	0.28%
<b>Total Mutual Funds</b>		2,255,359,415	5.26%
<b>Certificates of Deposit</b>			
Certificates of Deposit		148,845,177	0.35%
<b>Total Certificates of Deposit</b>		148,845,177	0.35%
<b>TOTAL INVESTMENTS</b>	\$	<u>42,837,052,323</u>	<u>100.00%</u>